

Message Text

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ACTION EUR-12

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FM AMEMBASSY BERN

TO SECSTATE WASHDC 2840

UNCLAS BERN 3045

EUR/CE FOR SUSAN KLINGAMAN

EO 11652: NA

TAGS: EFIN US SZ

SUBJ: VIOLATIONS OF SEC REGULATIONS ALLEGEDLY INVOLVING SWISS
FINANCIAL INSTITUTIONS

1. SWISS FEDERAL BANKING COMMISSION (SFBC) HAS CALLED
EMBASSY'S ATTENTION TO FOLLOWING REPORT CARRIED BY SWISS
PRESS AND REQUESTED OUR COMMENTS:

2. QUOTE: THE LONG ARM OF THE SEC - DESIRE TO EXTEND
ITS TERMS OF REFERENCE

THE CHAIRMAN OF THE AMERICAN SECURITIES AND EXCHANGE COMMISSION,
RODERICK HILLS, HAS MADE A FRESH MOVE BEFORE A SUBCOMMITTEE
OF THE AMERICAN HOUSE OF REPRESENTATIVES TO ENLIST CONGRESSIONAL
HELP IN IMPLEMENTING EXISTING SEC LEGISLATION EVEN IN THOSE
CASES WHICH INVOLVE FOREIGNERS. HILLS DEMANDS IN PARTICULAR
THAT THE AUTHORITY OF AMERICAN COURTS BE RECOGNIZED IN
IMPOSING RESTRICTIONS EVEN IN CASES WHERE
SECURITIES OF US COMPANIES ARE HELD BY FOREIGNERS.
SUCH RESTRICTIONS MIGHT COVER SHAREHOLDERS' VOTING
RIGHTS, TRANSFER OF SECURITIES, AND DIVIDENT PAYMENTS.
IN ADDITION, HILLS HAS REQUESTED FROM CONGRESS A RENEWAL
OF ADMINISTRATIVE POWERS FOR HIS AUTHORITY TO DISCIPLINE
FOREIGN BANKS IN THE EVENT OF A VIOLATION OF LEGAL
REGULATIONS CONCERNING SECURITIES, POWERS WHICH IN HIS
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OPINION THE SEC LOST IN THE PREVIOUS YEAR WHEN CERTAIN

REGULATIONS WERE MODIFIED. FURTHERMORE, HILLS CITED BEFORE THE SUBCOMMITTEE SEVERAL CASES OF VIOLATIONS OF SEC REGULATIONS ALLEGELY INVOLVING SWISS FINANIAL INSTITUTIONS. UNQUOTE.

3. SPECIFICALLY, SFBC WOULD LIKE TO KNOW WHICH SWISS FINANCIAL INSTITUTIONS ARE INVOLVED AND THE FACTS IN EACH CASE.

4. ACTION REQUESTED: INFORMATION ON WHICH TO BASE REPLY TO SFBC AND COPY OF TRANSCRIPT OF CHAIRMAN HILLS' TESTIMONY BEFORE HOUSE SUBCOMMITTEE.
DAVIS

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